



Date: December 5, 2011
To: Human Resources & Governance Committee
From: Bill Magness, Vice President & General Counsel
Subject: Withdrawal of Request for Approval of Revision to CS5.18 Conflict of Interest Corporate Standard

HISTORY

The Conflict of Interest Corporate Standard prohibits ownership of financial interests in Market Participants ERCOT employees and certain related parties. At its meeting on July 18, 2011, the Human Resources & Government Committee (Committee) considered a proposal by ERCOT staff to make the following changes to ERCOT's Conflict of Interest Corporate Standard:

- Limit the affected parties subject to the investment prohibition to ERCOT employees, their spouses and domestic partners, and their dependent children.
- Permit limited investments in the stock of publicly-traded affiliates of Market Participants.

The Committee voted to recommend to the Board that the affected parties be limited as requested. The Committee also decided to defer any recommendation on the proposal to allow investments in affiliate stock until the members of the Public Utility Commission of Texas had an opportunity to evaluate such proposal.

At its meeting on July 19, 2011, the Board voted to limit the group of affected parties as requested.

PROPOSED ACTION

ERCOT management has reconsidered the need for making the change to the standard on investments in the stock of publicly-traded affiliates of Market Participants. ERCOT has determined that the current prohibition has not had a significant impact on the current employee population or on recruiting efforts, and ERCOT staff believes that further modification of the Conflict of Interest Corporate Standard is not called for at this time. Moreover, ERCOT has determined that its standard on Market Participant affiliate investments is not inconsistent with standards that apply at other ISOs. Therefore, ERCOT staff proposes withdrawing this proposal to change this aspect of the investment standard rather than further pursuing this issue with the Board and the Commission.